



# PROJECT IDENTIFICATION FORM (PIF)

PROJECT TYPE: Medium-sized Project

TYPE OF TRUST FUND: GEF Trust Fund

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## PART I: PROJECT INFORMATION

Project Title:	Green Cities : Integrated Sustainable Transport in the City of Batumi and the Ajara Region		
Country(ies):	Georgia	GEF Project ID: <sup>1</sup>	5468
GEF Agency(ies):	UNDP (select) (select)	GEF Agency Project ID:	4980
Other Executing Partner(s):	Ministry of Environment and Natural Resources Protection of Georgia, Municipality of Batumi	Submission Date:	June 25, 2013
		Resubmission Date:	July 19, 2013
		Resubmission Date:	August 23, 2013
GEF Focal Area (s):	Climate Change	Project Duration (Months)	48
Name of parent program (if applicable):	n.a	Agency Fee (\$):	\$ 81,035
<ul style="list-style-type: none"> <li>• For SFM/REDD+ <input type="checkbox"/></li> <li>• For SGP <input type="checkbox"/></li> </ul>			

### A. INDICATIVE FOCAL AREA STRATEGY FRAMEWORK<sup>2</sup>:

Focal Area Objectives	Trust Fund	Indicative Grant Amount (\$)	Indicative Co-financing (\$)
CCM-4 - Increased investment in less-GHG intensive transport and urban systems	GEFTF	\$853,000	\$5,380,000
(select) (select)	(select)		
Total Project Cost		\$853,000	\$5,380,000

### B. INDICATIVE PROJECT FRAMEWORK

Project Objective: To promote sustainable transport in the City of Batumi and Region of Ajara						
Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Indicative Grant Amount (\$)	Indicative Cofinancing (\$)
1. Sustainable Transport Plans for Batumi & Ajara Region	GEF TA: <sup>3</sup> \$ 90,000  Co-financing: TA: \$450,000	Sustainable Transport Plans for the City of Batumi and for the Region of Ajara have been adopted and are being implemented	1.1 Stakeholders Planning Workshop for Integrated Sustainable Transport Plan for Batumi 1.2 Integrated Sustainable Transportation Plan for Batumi (includes park-and-ride) 1.3 Stakeholders Planning Workshop for Integrated Sustainable Transport Plan for Ajara Region 1.4 Integrated Sustainable Transportation Plan	GEFTF	\$ 90,000	\$ 450,000

<sup>1</sup> Project ID number will be assigned by GEFSEC.

<sup>2</sup> Refer to the reference attached on the [Focal Area Results Framework](#) when completing Table A.

<sup>3</sup> TA includes capacity building, and research and development

			for Ajara Region			
2. Improved Public Transport for Batumi and Ajara region	<p>GEF <b>TA:</b> \$ 100,000 <b>Inv:</b> \$ 350,000</p> <p>Co-financing <b>TA:</b> \$750,000 <b>Inv:</b> \$2,500,000</p>	<p>Increased investment in Compressed Natural Gas (CNG) powered buses in Batumi</p> <p>Increased Use of Park and Ride Systems in Batumi</p> <p>Increased investment in cable car systems in the Ajara region</p>	<p>2.1 Feasibility Study for Park and Ride system for Batumi</p> <p>2.2 Park and Ride System implemented</p> <p>2.3 Feasibility Study for Green (CNG Powered Buses and waste collector vehicles) for Batumi</p> <p>2.4 An estimated 130 buses converted to CNG use in Batumi</p> <p>2.5 Feasibility Study for cable car systems for mountainous regions of Ajara</p> <p>2.6 Cable Car system(s) upgraded/modernized</p>	GEFTF	\$ 450,000	\$ 3,250,000
3. Increased Cycling for Batumi	<p>GEF <b>TA:</b> \$45,000 <b>Inv:</b> \$45,000</p> <p>Co-financing <b>TA:</b> \$100,000 <b>Inv:</b> \$500,000</p>	<p>A 20% percent increase in the number of cyclists in Batumi</p> <p>At least 20 new cycle stations in place and 15km of new cycle lanes in place by the end of the project</p>	<p>3.1 Updated Cycling Master Plan for Batumi</p> <p>3.2 At least 10 new cycle pathways for Batumi put in place</p> <p>3.3 At least 20 new cycling terminals for Batumi are put in place</p> <p>3.4 Cycling in Schools Campaign</p> <p>3.5 Batumi Cycling Awareness Day organized</p>	GEFTF	\$ 90,000	\$ 600,000
4. Improved Traffic Management and Parking Facilities	<p>GEF: <b>TA:</b> \$30,000 <b>Inv:</b> \$60,000</p> <p>Co-financing: <b>TA:</b> \$150,000 <b>Inv:</b> \$300,000</p>	Improved traffic flow in the city of Batumi	<p>4.1 Parking Strategy for Batumi (including park and Ride)</p> <p>4.2 Implementation of recommendations from the parking strategy including meters and Park &amp; Ride Systems implemented at additional parking lots and on roads identified by parking strategy</p> <p>4.3 Feasibility Study for intelligent traffic lights</p> <p>4.4 Intelligent traffic lights installed on 20 more crossroads in Batumi</p>		\$ 90,000	\$ 450,000
5. Replication and Dissemination	<p>GEF <b>TA:</b> \$ 93,000</p>	Sustainable Transport Plans developed and Adopted in at least 3 other Municipalities	5.1 Development and adoption of at least 3 new sustainable transport plans with		\$ 93,000	\$ 430,000

	Co-financing: <b>TA:</b> \$430,000	in Ajara region	other Municipalities in the Ajara region 5.2 End of Project Workshop 5.3 Lessons Learned Study completed			
Subtotal					\$813,000	\$5,180,000
Project Management Cost (PMC) <sup>4</sup> (Direct Project Costs of \$10,000 is included in the \$40,000 PMC) <sup>5</sup>				GEFTF	\$40,000	\$200,000
Total Project Cost					\$853,000	\$5,380,000

**C. INDICATIVE CO-FINANCING FOR THE PROJECT BY SOURCE AND BY NAME IF AVAILABLE, (\$)**

Sources of Cofinancing	Name of Cofinancier	Type of Cofinancing	Amount (\$)
Government	Ministry of Environment and Natural Resources Protection of Georgia	In-Kind	\$400,000
Local Government	Municipality of Batumi	Cash	\$3,500,000
Local Government		In-Kind	\$500,000
Local Government	Ministry of Finance and Economy of the Autonomous Republic of Ajara	In-Kind	\$200,000
Local Government	At least three other Municipalities in Ajara region	Cash	\$350,000
Local Government	At least three other Municipalities in Ajara region	In-Kind	\$150,000
International Organization	UNDP	In-Kind	\$200,000
International Organization	UNDP	Cash	\$80,000
<b>Total Cofinancing</b>			<b>\$5,380,000</b>

**D. INDICATIVE TRUST FUND RESOURCES (\$ ) REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY<sup>1</sup>**

GEF Agency	Type of Trust Fund	Focal Area	Country Name/Global	Grant Amount (\$ ) (a)	Agency Fee (\$ ) (b) <sup>2</sup>	Total (\$ ) c=a+b
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
<b>Total Grant Resources</b>						

<sup>1</sup> In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table. PMC amount from Table B should be included proportionately to the focal area amount in this table.

<sup>2</sup> Indicate fees related to this project.

**E. PROJECT PREPARATION GRANT (PPG)<sup>6</sup>**

Please check on the appropriate box for PPG as needed for the project according to the GEF Project Grant:

	<u>Amount Requested (\$)</u>	<u>Agency Fee for PPG (\$)<sup>7</sup></u>
• No PPG required.	-- 0--	--0--
• (upto) \$50k for projects up to & including \$1 million	\$50,000	4,750
• (upto)\$100k for projects up to & including \$3 million	_____	_____
• (upto)\$150k for projects up to & including \$6 million	_____	_____
• (upto)\$200k for projects up to & including \$10 million	_____	_____

<sup>4</sup> To be calculated as percent of subtotal.

<sup>5</sup> This \$10,000 of direct project costs is included as part of the \$40,000 for project management costs (not in addition)

<sup>6</sup> On an exceptional basis, PPG amount may differ upon detailed discussion and justification with the GEFSEC

<sup>7</sup> PPG fee percentage follows the percentage of the GEF Project Grant amount requested.

- (upto)\$300k for projects above \$10 million

**PPG AMOUNT REQUESTED BY AGENCY(IES), FOCAL AREA(S) AND COUNTRY(IES) FOR MFA\* AND/OR MTF\* ROJECT ONLY**

Trust Fund	GEF Agency	Focal Area	Country Name/ Global	(in \$)		
				PPG (a)	Agency Fee (b)	Total c = a + b
(select)	(select)	(select)				0
(select)	(select)	(select)				0
(select)	(select)	(select)				0
<b>Total PPG Amount</b>				<b>0</b>	<b>0</b>	<b>0</b>

\*MFA: Multi-focal area projects; MTF: Multi-Trust Fund projects.

**PART II: PROJECT JUSTIFICATION<sup>8</sup>**

Project Overview

**A.1 Project Description**

*Global environmental problems, root causes and barriers that need to be addressed*

1. Georgia is located in the southeast of Europe and to the east of the Black Sea and to the west of the Caspian Sea. The total land area is 69,700 km<sup>2</sup> of which the majority is mountainous terrain. 54% of the territory of Georgia is located at an altitude above sea level of 1,000m or more. The mountainous terrain and highlands and the numerous lakes and rivers make Georgia an ideal country for hydropower, with enough potential to export energy to neighbouring countries, e.g. Turkey. The Black Sea coastal zone has a humid subtropical climate with average annual temperatures of 14–15<sup>0</sup>C with extremes ranging from -15<sup>0</sup>C to +45<sup>0</sup>C and annual precipitation varying from 1,500mm to 2,500mm. Georgia can be characterized as an economy in transition. Following the collapse of the Soviet Union in 1991, the economy went into reverse and output and production suffered significant declines. It was only after 1997 with the introduction of reforms aimed at improving the economy that economic growth started to improve and living conditions started to get better. Between 2004 and 2007 the amount of private capital investment into Georgia increased over 4 times to over \$ 2.3 billion per annum.

2. A war with Russia in August 2008, led to economic growth coming to an abrupt halt. Georgia suffered heavy losses in all sectors of the economy including those sectors which make a considerable contribution to GDP such as agriculture, manufacturing, trade, tourism, transportation, construction, and banking. In addition, the social cost of accommodating thousands of internally displaced persons from the war has been significant. In such an environment city planning and urban development has not received the level of attention and focus in Georgia as perhaps it should have.

3. Georgia has ratified the UNFCCC in 1994 and the Kyoto Protocol in 1999 and has joined Copenhagen Accord in 2010. As a Non-Annex I Party to the UNFCCC, Georgia does not have specific targets or caps to limit emissions growth. However, Georgia is active and does support carbon market mechanisms, such as the clean development mechanism (CDM) as a means of promoting new type of investment (carbon credits) in GHG emission reduction projects in Georgia. In 2013 Georgia has started the development of a Low Emission Development Strategy (LEDS), supported by USAID.

<sup>8</sup> Part II should not be longer than 5 pages

4. The attraction of foreign direct investment has been a key priority of the Georgian government for the last 10 years. This includes attraction of foreign direct investment for projects in the transport sector. To date, urban development in Georgia can be characterized by typically uncoordinated and unplanned actions with an emphasis on short-term goals without long terms aims and objectives and no strategy or effort to develop urban planning in such a way as to promote green cities. A ‘Green City’ is defined as a city which is designed with consideration of environmental impacts of new investments in the city infrastructure and is inhabited by people dedicated to minimize consumption of energy, water, and food and to reduce air pollution. A sustainable green city should meet the needs of the present generation without sacrificing the needs of future generations. The challenges for environmentally conscious developers are to design green cities in such a way that saving energy and reducing greenhouse gas emissions is done in a manner which is both economically beneficial and environmentally friendly. Urban development in Georgia is primarily driven by economic considerations and ‘greening’ considerations are not taken into account for the most part in city planning processes. There are no cities that could currently be described as ‘green cities’, but nevertheless five Georgian cities including Batumi, the first being Tbilisi has already signed the Covenant of Mayors (CoM). Several other cities and municipalities are currently planning and preparing to sign the CoM and develop a Sustainable Energy Action Plans (SEAP) as is required under the Covenant of Mayors.

5. The 2<sup>nd</sup> National Communications of Georgia to the UNFCCC submitted in 2009 has identified transport as the key source of GHG emissions in Georgia and has identified the urban sector as a major source of GHG emissions. If Georgia is to reduce its greenhouse gas emissions in a cost-effective manner then it is clear that the transport sector has to be targeted and that sustainable transport has to be promoted<sup>9</sup>. This project seeks to ensure that urban development in Georgia takes place in an environmentally sustainable manner. In particular, the project will focus on the transport sector where GHG emissions are continuously rising. Stakeholder consultations in the city of Batumi revealed that the transport sector has been up until now largely neglected despite the fact that it is the largest source of GHG emissions in the City. Despite a strong interest in green urban development and sustainable transport in particular, both the City of Batumi and the Ajara region still do not have any integrated sustainable transportation plan and GHG emissions from the transport sector keep being very high. In particular, buses are not managed in an environmentally sustainable manner, there are many old cars on the road, and while cycling is encouraged and promoted, it has not yet really taken off to the extent that it could. There are no requirements for vehicles to meet minimum fuel-efficiency standards and no requirements or incentives for introducing hybrid or electric vehicles or for converting buses to CNG fuels. The inter-ministerial process to develop a Low Emissions Development Strategy (LEDS) started in April 2013, under the lead of the Ministry of Environment and Natural Resources Protection of Georgia and supported by USAID might include the introduction of minimum fuel-efficiency standards in the future. Yet, currently there are no initiatives focused at implementing sustainable transport plans at the regional level. In short, working in the transport sector at a regional and sub-regional level offers excellent opportunities to reduce GHG emissions and it is an area, which other donors and technical assistance programs have not been extensively targeting in Georgia.

6. As Georgia’s leading tourist destination located on the black sea, the City of Batumi has a strong interest in sustainable transport. Batumi has been chosen as the main partner for this project due to its high level of GHG emissions from the transport sector and also for the active involvement of the city administration in green urban development and the willingness and ability of the City to provide co-financing to full project implementation. The bus fleet in Batumi is between 5-10 years old. In 2004, the city purchased 30 Bogdan type units, 15 Daf and 10 Iveco buses. Then in 2008, the city purchased 25

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<sup>9</sup> **Sustainable transport** refers to the broad subject of transport that is or approaches being sustainable. It includes vehicles, energy, infrastructure, roads, railways, airways, waterways, canals, pipelines, and terminals. Transport operations and logistics as well as transit-oriented development are involved. Transportation sustainability is largely being measured by transportation system effectiveness and efficiency as well as the environmental impacts of the system. We are excluding maritime transport from definition of sustainable transport as this project focuses on land transport only.

medium Zonda type buses, which was followed by support for a further EBRD \$2,500,000 loan for 76 buses. The current bus fleet in Batumi is approximately 150 buses of which it is planned to convert 130 to CNG at a cost of over \$1 million USD. The remaining buses are old and will be retired from the fleet. The purchase of further newer buses is currently under consideration. There has been no emphasis, to date, on greening the bus fleet (though use of CNG) or encouraging driving practices to reduce fuel consumption and reduce GHG emissions. Other options for public transport such as hybrid electric buses or full electric buses are not being considered as the cost (at least \$200,000 USD per bus) would be prohibitive and is not affordable to the City of Batumi. Cycling has become more popular in Batumi. Already, there are 120 bicycle terminals in the city where people can rent bicycles along the seashore and rented out with special cycle cards. There are currently over 1,000 taxis in Batumi. Most of the units are old vehicles and there are no requirements for fuel-efficient cars. In short, there is considerable scope to introduce sustainable transport concepts to the city of Batumi.

7. This project aims to promote sustainable transport in Georgia (exclusive focus on land transport as maritime transport goes beyond the scope of this project) and reduce greenhouse gas emissions by at least 25,200 tonnes of CO<sub>2e</sub> per annum per year by the end of the project with a focus on the regional level focused initially on the City of Batumi and then more broadly on the region of Ajara. While the main focus of the project will be on sustainable transport in the City of Batumi, the largest city in Ajara, the project will also select several other municipalities to work with in order to ensure the replication of project results. In order to achieve this goal, there are several key barriers to promoting sustainable transport in Georgia which need to be overcome in order for this project to succeed.

8. The following table outlines the key barriers to sustainable transport in the Republic of Ajara and provides an explanation of how these key barriers can be overcome.

**Table 1: Key Barriers to the Sustainable Transport in Ajara region**

<b>Barriers</b>	<b>Barrier Explained</b>	<b>Means of Overcoming Barrier</b>
Planning and Institutional Barriers	While Batumi City Hall has a 10 year transport plan established in 2011, this plan does not take into account sustainability considerations. There is no sustainable transport plan for the city of Batumi or for other municipalities in the Ajara region.	The project will assist in the development of sustainable transport plans for Batumi and for other municipalities in the Ajara region. The adoption of the plans should lead to additional investments in sustainable transport.
Financial Barriers	Transport funding priorities focus on new roads and infrastructure development with limited attention to sustainable transport. Consequently, there is a lack of public finance available to implement sustainable transport measures in the city of Batumi and in Ajara region.	This high visibility project will help to lead to additional public financial resources being made available for sustainable transport. However, the main means of overcoming the financial barrier will be through the conclusion of detailed feasibility studies, which clearly demonstrate the benefits including attractive financial returns of putting in place sustainable transport investments.
Awareness and Knowledge Barriers	There is a lack of awareness in Ajara region among the general public of the benefits of energy saving in transport sector	Batumi Cycle days, Safe Schools Campaigns, and targeted public awareness campaigns will raise awareness among the general public about the advantages of cycling and public transport. A new parking strategy will make it more costly to use cars in the centre of Batumi and promote the use of public transportation.

*Baseline scenario and associated baseline projects*

9. In the baseline for this project, further progress in the area of sustainable transport will be largely neglected in the regional and sub-regional level. As of early 2013, there is no officially adopted sustainable transport policy for Georgia and no national transport plan. The focus for urban development in Batumi will be on the development of a Sustainable Energy Action Plan with no particular increased attention given to sustainable transport. The rationale for greening transportation in Georgia is to promote low carbon development and also to provide economic benefits. Imported fossil fuel costs in Georgia play a big role in the trade deficit of Georgia. In addition, increased air pollution from fossil fuels in the transport sector leads to rising health costs. Finally, the greening of the transport sector helps to strengthen Georgia's position as a regional trade hub and tourism destination by developing efficient and clean transportation services. The policy framework developed by the World Bank focuses is also focused on developing the concept of sustainable transport. However, this policy framework is being developed at the national level and is yet to be implemented. A new law on transport for Georgia is yet to be adopted and a national transport plan is also not finalized.

10. Batumi is a seaside city on the Black Sea coast and it is also the capital of Ajara, the Autonomous Republic of Georgia, located in southwest Georgia. With a population of approximately 180,000 and the urban territory of 19.5km<sup>2</sup> Batumi serves as an important port and a commercial center. Since 2011 the administrative area of Batumi has been increased to 65 km<sup>2</sup>. The city is situated in a subtropical zone, rich in agricultural produce such as citrus fruit and tea. While industries of the city include shipbuilding, food processing, and light manufacturing, most of its economy revolves around tourism. Both energy consumption and GHG emissions from the city of Batumi predominantly come from residential buildings and transport sectors. Preliminary results on Batumi energy demand by sector and GHG emissions inventory provided by 3<sup>rd</sup> National Communication working group are shown in table 2 and table 3 below and provide a strong justification on why this project should focus on the reduction of GHG emissions in the transport sector:

**Table 2 : Energy Consumption for the City of Batumi by Sectors (2011)**

Sector	Energy Consumption, GWh	Share, %
Residential buildings	436.0	39.3
Municipal buildings	21.0	1.9
Transport	490.0	44.1
Public Lighting	10.7	1.0
Other (Commercial, Industry etc.)	152.3	13.7
Total	1110.0	100

(Source: preliminary data from 3<sup>rd</sup> Georgian National Communications to UNFCCC, not yet published)

11. The estimates of GHG emissions in the city Batumi are given in Table 1.2 below:

**Table 3: GHG Footprint for the City of Batumi (2011)**

Sector	Emission reduction, 1000 Tones CO <sub>2e</sub>	Share, %
Residential buildings	49.5	24.7
Municipal buildings	3.4	1.7
Transport	126.6	63.0
Public Lighting	1.0	0.5
Other (Commercial, Industry etc.)	20.3	10.1
Total	200.8	100

(Source: preliminary data from 3<sup>rd</sup> Georgian National Communications to UNFCCC, not yet published)

12. With an estimated 126,600 tonnes of CO<sub>2e</sub> emitted per year representing some 63% of all emissions, the transport sector is the main source of GHG emissions in Batumi. There is currently no mechanism to promote sustainable transport in the Ajara region which means that in the absence of this project the bulk of expenditure in the transport sector in the City of Batumi will continue to be for transport infrastructure development including roads and sidewalks. Transport expenditures in the City of Batumi under a business as usual situation are estimated to continue a trend which is based on the figures provided by the City Administration. The development of a transport system has an allocation of only \$1.81 million for

2013. This represents less than 5% of overall transport expenditure for the city and shows that currently in the business as usual scenario there would be limited overall attention given to development transport and with no particular emphasis on making sure it is sustainable.

**Table 4 : Transport Budget (in \$ thousands) for the City of Batumi in 2011-13**

	<b>Budget line</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
1	Transport infrastructure development	18,528	26,405	12,636
2	Roads and sidewalks	16,468	20,513	9,467
3	Operation of transport infrastructure	182	1,364	959
4	Development of transport system	1,879	4,528	1,818

13. In the baseline situation, public transport and the promotion of non-motorized forms of transport will for the most part not develop in an environmentally sustainable manner in the city of Batumi and in Ajara region. There will be no coordinated parking strategy designed to promote public transport. CNG buses are unlikely to be introduced. Extensive cycling lanes are unlikely to cover all areas of the city. In addition, the introduction of more efficient vehicle fleets will not be a priority and at a regional level there will be no legislation that requires cars to meet minimum fuel efficiency standards. The Ajara government has yet to develop a consistent policy on sustainable transport, which should integrate land use, urban planning, traffic management, and intelligent transport systems. Currently, efforts are seldom made to link urban, land-use and transport planning policies. Because up until now limiting or reducing greenhouse gas emissions from the transport sector has not been a main priority in Georgia due to limited awareness of the necessity to reduce GHG emissions, to date the administration of Ajara has generally focused its efforts on providing more space and roadways for use by private vehicles, rather than developing public transport or providing incentives to individuals to cut back on fuel consumption and use more efficient vehicles. Transport infrastructure development and construction of new roads has been the main priority for public expenditure. In the absence of national fuel efficiency standards, here is no real incentive to upgrade vehicle fleets and a large number of old cars can be found on the roads in Georgia. This trend is likely to continue without this project.

*Proposed alternative scenario: brief description of expected outcomes and components of the project*

14. Green urban development is a crucial issue for Georgia. Over sixty percent of Georgia's population lives in cities and transport related problems are growing. Most of the traffic is concentrated in urban areas. Urban transport is a rapidly growing energy consumer, driven by the rapid increase in the number of private vehicles, at the expense of less carbon intensive public transport. The quality of public transport in cities in Georgia is inadequate, while governmental efforts are focused primarily on providing more space and roadways for use by private vehicles rather than developing green public transport. In addition, private vehicle owners do not have real incentives to travel efficiently and tend to choose less efficient but cheaper cars (most of owners) or more powerful cars (relatively rich owners). Significant GHG savings can be realized in the transport sector as a result of increased fuel efficiency of vehicles, as well as structural changes (e.g. more public transportation, green taxis, more cycling and less driving of personal cars). This project will contribute to development of green urban development plans for Batumi and concurrently the Ajara region with a focus on sustainable transport issues.

15. The proposed project will target the regional level starting with the City of Batumi and then working with several other municipalities in the region of Ajara in order to achieve scalable results. The city of Batumi has been selected firstly because it has significant GHG emissions in the transport sector which continue to grow, and secondly, for its intention to provide co-financing to this project. Thirdly, the issue of sustainable transport is particularly important because Batumi is a seaside tourist city (third largest in Georgia) and it is the Capital of the Autonomous Republic of Ajara.. Batumi has signed the EU Covenant of Mayors and is now working on development of Sustainable Energy Action Plan (SEAP), to be submitted by mid-July. Developing an environmentally friendly public transport system (CNG buses) and



further promoting cycling are high priorities in line with the plans for tourism development. The city administration has indicated a willingness to co-finance project activities in these areas. GEF funds mainly would be used for business plans, feasibility studies, and pre-investment studies. The bulk of actual investment funds required will come from the city itself.

16. The Georgian government has not yet developed a consistent national or regional policy on sustainable transport, which should integrate land use, urban planning, traffic management, and intelligent transport systems. Currently, efforts are seldom made to link urban, land-use and transport planning policies. However, there are intentions to put in place a new national transport policy and plan, including fuel-efficiency standards, and therefore at a national level this new plan and policy will form a part of the baseline of this project. The national government has generally focused its efforts on providing more space and roadways for use by private vehicles, rather than developing public transport or providing incentives to individuals to cut back on fuel consumption and use more efficient vehicles. There is no real incentive to upgrade vehicle fleets and a large number of old cars can be found on the roads in Georgia. More importantly, there are no fuel efficiency standards for new vehicles in Georgia and they are not expected in the nearest future either. Without GEF's involvement the implementation of the actions on sustainable management for transport in the Ajara region will be very restricted (at least in the near future) to those actions that are a result of the focus on the development of national transport policy. The low level of priority that will be given to regional and sub-regional transport initiatives such as this project means that not much would be expected to happen without the GEF project at a regional and sub-regional level.

17. Component 1 of the project focuses on the development of sustainable transport plans for both the City of Batumi and for the Ajara region. The main purpose of developing sustainable transportation plans is to integrate environmental concerns into transport policy taking into account public concerns during the development of the transport plans through extensive public consultation processes. An important component of developing the sustainable transport plans will be to address the financing barrier to maximize the possibilities for the sustainable transport plans to be implemented to the greatest extent possible. Although road transport is a major contributor to GHG emissions and local air pollution (the 2<sup>nd</sup> National Communications to the UNFCCC of Georgia identifies the transport sector as a key source of GHG emissions in the county), Georgia's environmental objectives are not yet reflected in transport policies and the existing regulatory framework is not enforced. The Georgian government aspires to achieve green transportation but Georgia's existing transport policy fails to acknowledge the growing environmental damage inflicted by the transport sector. An integrated green transport policy should specify GHG and air pollution reduction as an objective and set achievable target emission levels. This project aims by the end of the project to directly stimulate 20% reduction in GHG emissions from the transport sector in the City of Batumi and following this in the Ajara region. This component focuses only on technical assistance and includes GEF funds only for technical assistance.

18. Component 2 of the project is focused on improvements to the public transportation system in the city of Batumi and Ajara region as a means of promoting modal shifts away from car transport towards increased use of public transport. The implementation of a park and ride system for Batumi and the introduction of fuel-efficient buses (conversion of approximately 130 buses to use CNG) have been identified as two priority areas by the City Hall of Batumi for improving public transport in the city. The park and ride facilities will be car parks connected to bus routes in the city. This allows commuters to store their vehicles in car parks and take public buses thereby reducing traffic congestion and reducing transport related GHG emissions. Finally, the special development plan for Ajara region identifies the possible development/upgrade of cable car systems in two areas (Khulo and Shuakhevi mountainous municipalities, both of which keep using very old and outdated soviet area machinery) as possible investments which would promote greater use of cable cars for transportation by local residents. The GEF project would fund the cost of feasibility studies for the possible investment of two or more cable car investment projects. GEF funding will go for both technical assistance and investment activities. In cases

where investments are being supported the total GEF funding for any one specific investment shall not exceed 25% of the total investment cost.

19. Component 3 of the project focuses on further promotion of cycling in the city of Batumi to encourage modal shifts in transport away from the use of cars to the increased use of bicycles. The cycling master plan for Batumi will be updated, upgraded, and improved after having analyzed its present success. At least 10 new cycle pathways will be put in place in the City as well as at least 20 new cycling stations where people from the general public can rent bicycles and at least 15km of new cycle lanes in place by the end of the project. In addition, a cycling in schools campaign will be carried out and a Batumi cycling day will be organized and implemented. GEF funding will go for both technical assistance and investment activities. In cases where investments are being supported the total GEF funding for any one specific investment shall not exceed 25% of the total investment cost.

20. Component 4 of the project focuses on the development of a parking strategy for Batumi as well as improved traffic management. A main purpose of the new parking management strategy will be to better incentivize the use of public transport and cycling within the city of Batumi and discourage the use of private cars in the city centre. Park and ride systems will be a central focus of the new parking strategy. Meters and park and ride systems will be put in place in order to help with improved traffic management. In addition, the GEF project will fund under component 4 a detailed feasibility study for adding intelligent traffic lights at more than 20 crossroads in Batumi which will help to improve the traffic flow. In component 4, GEF funding will go for both technical assistance and investment activities. In cases where investments are being supported the total GEF funding for any one specific investment shall not exceed 25% of the total investment cost.

21. Component 5 of the project focuses on replication of the project strategy and the project results to other municipalities of the region of Ajara. Sustainable transport plans will be developed in at least three (3) other cities of the Ajara region, preferably Covenant of Mayors' signatories. These cities will be selected on the basis of those cities where sustainable transport is a priority, where there is considerable potential to reduce GHG emissions in a cost-effective manner, and where there is co-financing available. More detail and information concerning component 5 and the selected partners will be provided during the project preparation grant (PPG) phase of the project development. This component focuses only on GEF funds for technical assistance.

*Incremental cost reasoning and expected contributions from the baseline, the GEFTF and co-financing*

22. This project has been designed as a package of technical and institutional capacity building measures at the regional level, leading to policies to improve service quality for public transport and in order to develop integrated land-use/transport plans for the city of Batumi and more generally for the region of Ajara. In parallel with the technical assistance package, there will be some limited funding available for specific targeted investments under components 2, 3 and 4. The proposed activities of the project to be supported by the GEF area are all activities which would unlikely occur otherwise under a business as usual scenario because, as it has already been explained, the focus of transportation policy by the Georgian government is currently exclusively at a national level. The project is intended to develop plans and policies which will lead to new investment decisions which entail significant improvements of the transport management infrastructure in the Ajara region (first in Batumi and subsequently in other cities/towns of the Ajara region. Broad involvement of stakeholders in consultations as part of the project means that the project will involve civil society organisations and allow for a participatory approach to the solution of the problems related to the sustainable management of transport. The project will enable Georgia to mainstream environmental issues into its transport management infrastructure and assist the country to meet its commitments to UNFCCC through the reduction of GHG emissions due to the fact that the project is expected to lead to the increased use of sustainable transport modes such as public transport (from CNG buses), as well as non-motorized modes such as bicycling.

23. The baseline will contribute to the success of this project as the activities which are currently being carried out anyway such as the development of a national transport plan, a new national law on transport, and a low emission development strategy (LEDS) which promotes sustainable transport are all complementary and will all promote sustainable transport and GHG emission reductions in Ajara region. The Enhancing Capacity - low emission development strategy (EC-LEDS) project is a USAID funded project which seeks to incorporate holistic approaches towards reducing GHG emissions. It supports the implementation of incentives, financing, and technical assistance to implement alternative development practices. The project works throughout Georgia. Mayors who have signed the EU Covenant of Mayors receive preferential treatment with the development of Sustainable Energy Action Plans (SEAPS). These plans are complementary to the sustainable transport plans being developed under this project and hence the EC-LEDS project can be considered to be a baseline project for this initiative. Secondly, \$4 million of co-financing is expected from the City of Batumi for the development of a sustainable transport plan for Batumi and for investment activities related to the implementation of transport projects under components 1,2,3 and 4. In particular, the City of Batumi has plans to convert 130 buses to CNG and promote greater energy efficiency in their fleet of mini-buses. These plans can also be considered part of the baseline project. In addition, approximately \$500,000 in co-financing is expected from other municipalities of Ajara for their contribution towards sustainable transport plans in their respective areas. The Ministry of Environment and Natural Resources Protection of Georgia will provide a \$400,000 in-kind contribution which includes support for hosting Project Management Unit (PMU) and related costs. Finally, UNDP will co-finance the project with some \$200,000 as part of an in-kind contribution towards awareness raising activities, seminars, and workshops in other parts of Georgia to promote sustainable transport. Additional possibilities for co-financing will be explored during the PPG phase.

#### *Global environmental benefits*

24. Global Environmental Benefits associated with this project are initially estimated as a cumulative total of some 10,000 tonnes of CO<sub>2e</sub> by the end of the project by the implementation of the CNG powered buses, parking strategy, increased use of cycling and other measures introduced by this project. It is estimated that as a result of the plans and policies put in place by this project, that GHG emission reductions for the City of Batumi will be reduced by 20%, in line with the reduction targets under the Covenant of Mayors, over the baseline scenario or approximately by 25,200 tonnes of CO<sub>2e</sub> per year by the end of the project. This is based on an estimated 20% reduction below baseline GHG emissions of 126,600 tonnes of CO<sub>2e</sub> per annum as provided in table 2. More detailed calculations of the global environmental benefits from this project will be carried out during the PPG phase of the project development.

#### *Innovativeness, sustainability and potential for scaling up*

25. The innovativeness of this project relates to the fact that this project will be the first project in Georgia which aims to integrate concepts of green urban planning with sustainable transport and design sustainable development plans for several municipalities, focusing on a regional and sub-regional level starting with City of Batumi. There are currently two ongoing or planned climate change projects in Georgia on the national level besides support to Covenant of Mayors' signatory cities. These are the EC LEDS by USAID and Clima East funded by the EU, but both projects do not focus on the transport sector. There is no other ongoing or planned initiative/ project in Georgia which has such an innovative approach or which focuses on the regional level. As it has already been mentioned, all other sustainable transport related initiatives in Georgia are currently focused only on the national level. Component 1 and component 5 of the project deal with scaling up. New Ajara region policies and regulations help to provide the project with sustainability and have an impact at the national level on reducing GHG emissions and also local air pollution. Component 5 will help to scale up project activities and results to other cities and towns in Ajara region beyond the city of Batumi.

## **A.2. Stakeholders**

26. The project will work with key stakeholders and partners as follows:

Ministry of Environment and Natural Resources Protection of Georgia– The Ministry will coordinate the project and host the Project Management Unit (PMU).

Municipality of Batumi - The Municipality will play a lead role on component 2, 3, and 4 of the project including the sustainable transport plan for Batumi and activities to promote CNG buses and increased cycling as well as the development of a parking strategy for Batumi.

Ministry of Finance and Economy of the Autonomous Republic of Ajara – Transport Department of this Ministry will play a key role in the development of sustainable transport plans for the City of Batumi and other municipalities/districts in Ajara that work with this project.

Other Municipalities in Ajara– Other municipalities in Ajara will play a key role on component 5 of the project extending the project to other cities and towns in the Ajara region of Georgia. The choice of these three other municipalities/city administrations will be made during the PPG phase of the project and will be based upon co-financing commitments and the potential for reducing GHG emissions from the transport sector in a cost-effective manner. Municipalities for consideration include Keda, Kobuleti, Khelvachauri, Shuakhevi and Khulo.

NGOs –NGOs will be involved in the Project Steering Committee and play a lead role in promoting awareness related to sustainable transport for all components of the project.

**A.3 Risks.** Indicate risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, propose measures that address these risks to be further developed during the project design (table format acceptable):

27. Key project risks are assessed as follows:

**Table 1-4: Risks and Mitigation Measures**

<b>Risks</b>	<b>Rating</b>	<b>Mitigation Measures</b>
Lack of Municipal co-financing to invest in sustainable transport	Medium	The risk is that the municipality will not have the funds to support the investment needed in CNG buses and the co-financing will not materialize. This risk is rated as medium due to the fact that budget allocations are changing and the long-term vision of the new national government is still being developed. The mitigation measure for this risk is to firstly ensure strong levels of communication with the City Administration during all phases of the project and in the event that co-financing does not materialize to seek to partner with other municipalities in Ajara region for the demonstration activities.
Lack of Public Interest in Cycling in Batumi	Low	Batumi is a leading tourist destination in Georgia. Tourists are less likely to want to drive cars in the centre of the city. An increased emphasis on recreation, health and fitness will mean that there is a very low risk that there is a lack of public interest in Batumi. Several cycling lanes already in place in the city centre show that there is a public interest in cycling in Batumi. Batumi already has the vision to become a green city in Georgia. This project will strengthen and help implement that vision.
Political Instability/Changes in national priorities makes environment less of a priority	Low	Political instability in Georgia has decreased over the past several years since the outbreak of hostilities with Russia in 2008. All major political parties have a stated commitment to improved relations with Russian Federation as well as increased environmental protection and the risk of political instability leading to decreased importance of environmental initiatives is rated as low.
Climate change impacts including increased precipitation and flooding, resulting in lower use of non-motorized modes, particularly cycling.	Low	During the lifetime of this project, increased climate change impacts are unlikely to affect the project. However, capacity building and awareness campaigns have shown how other cities like Copenhagen demonstrate high bicycle use even during poor weather conditions. In the longer-term, the planning processes that this project will help to put in place will help to ensure that transport planning in Batumi is undertaken in a low carbon climate resilient manner.
Increasing traffic &	Low	Even if GHG emissions are reduced by project activities, there is a risk

car ownership, resulting in not meeting the 20% emission reduction target below the baseline	that a 20% reduction cannot be achieved due to increases in overall number of cars and traffic. Even if this situation would not be caused by the project, it should be addressed, as it will affect total GHG emissions, and the emission reduction target of the project. The MoE can only recommend address this risk. Mitigation measures would have to be designed by UNDP.
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**A.4. Coordination.** Outline the coordination with other relevant GEF financed and other initiatives:

28. The project will ensure good coordination with on-going GEF-financed and non-GEF initiatives being implemented by UNDP and by other donors. More specifically, a clear link will be established with the ongoing UNDP GEF enabling activities project, which is supporting Georgia to prepare its Third National Communication to UNFCCC. In particular, the enabling activities project will provide important data and information to assist in building the project baseline. In addition, regular information exchange and coordination will be ensured with other related initiatives managed by municipal authorities such as the Sustainable Energy Action Plan (SEAP) for Batumi and/or initiatives funded by other donors, such as the USAID (who will provide funding to support SEAP implementation), the World Bank Framework for Green Transportation initiative, and the European Union among others. In addition, the project will cooperate with other ongoing UNDP GEF sustainable transport projects in the region. UNDP is currently implementing sustainable transport projects in the Kazakhstan, the Russian Federation, Serbia, Slovakia, and Tajikistan.

**B. Description of the consistency of the project with:**

**B.1 National strategies and plans or reports and assessments under relevant conventions, if applicable, i.e. NAPAs, NAPs, NBSAPs, National Communications, TNAs, NCSAs, NIPs, PRSPs, NPFE, Biennial Update Reports, etc.:**

29. As a non-Annex I party to the UNFCCC, Georgia does not have a specific target to reduce GHG emissions. However, this project is consistent with the 2<sup>nd</sup> National Communication of Georgia to the UNFCCC, which recognizes the importance of each country's share in reducing GHG emissions as a valuable contribution to the mitigation of global climate change. Georgia is actively engaged in GHG emission reduction efforts and supports the implementation of projects in Georgia to reduce GHG emissions, in particular the promotion of renewable energy projects through the clean development mechanism (CDM) of the Kyoto Protocol. The 2<sup>nd</sup> National Communications of Georgia to the UNFCCC identifies transport as the key source of GHG emissions in Georgia. Renewable energy and energy-efficiency are identified in the 2<sup>nd</sup> National Communication as priority actions, which will help the country to reduce GHG emissions. In addition, activities at the local level should be given priority as well as projects, which involve technology transfer and promotion of innovative approaches using new technologies. Given that this project will promote energy-efficiency less carbon intensive sustainable transport at the local level, working closely in partnership with municipal authorities, this project can be said to be fully consistent with the 2<sup>nd</sup> National Communication to the UNFCCC. The Georgian Government has not undertaken a NPFE for GEF programming. A Technology Needs Assessment (TNA) was prepared in September 2012 by the Ministry of Environment and Natural Resources protection with assistance from UNEP, focused on the agricultural sector, the Black Sea coastal zone and extreme events. It did not assess technology needs for the transportation sector.

30. UNDP, with assistance from the GEF, is currently assisting the Government of Georgia with its 3<sup>rd</sup> National Communication to the UNFCCC. Preliminary results of this report makes it clear that the transport sector is the large source of GHG emissions for the country and is an area where greater attention and investment are required to developing and implementing mitigation strategies to reduce GHG emissions. In 2012, the World Bank developed A Policy Framework for Green Transportation in Georgia, which identifies a set of recommended policies for sustainable transport development. This document has not been implemented in a National Transport Policy yet and there is not yet any new national law on transport, which would help promote sustainable transport. More detailed sectoral analyses of the transport sector are currently underway by the Ministry of Economy and Sustainable Development of Georgia. The majority of World Bank support to the transport sector in Georgia is going towards the upgrade of transit corridors and in particular a \$75 million dollar investment to upgrade and improve the E60 East-West Highway was recently approved in May 2013. The purpose of this project is to improve road quality and reduce traffic congestion. The World Bank does not have any projects focused at the regional and sub-regional level which are specifically aimed at promoting sustainable transport.

**B.2. GEF focal area and/or fund(s) strategies, eligibility criteria and priorities:**

31. The project is fully consistent with GEF-5 Climate Change Focal Area Strategy and Objective 4 “Promote energy efficient, low-carbon transport and urban systems” by helping to set-up urban GHG emission reduction targets, identify appropriate and cost-effective mitigation actions and remove barriers to private investment in their implementation.

**B.3 The GEF Agency’s comparative advantage for implementing this project:**


32. UNDP is the only GEF Agency working in Georgia with a full Country Office and a full-time on the ground presence. This project fully complies with the comparative advantages matrix approved by the GEF Council, where UNDP is assigned a leading role for technical assistance and capacity building on climate change. The project is also fully aligned with UNDP-GEF’s signature program on *Low emission climate resilient urban and transport infrastructure* which aims to significantly save energy and reduce GHG emission related to urban management. UNDP will bring significant experience to this project with the fact that UNDP is managing some five (5) other GEF sustainable transport projects in Slovakia, Serbia, Russian Federation, Kazakhstan, and Tajikistan. UNDP has a strong track record of project implementation in energy efficiency, sustainable transport, renewable energy, public service delivery, regional/urban/local development and inter-municipal cooperation as well as in providing technical assistance on policy development in these areas. UNDP currently manages an overall portfolio of GEF climate change mitigation projects in the Europe & CIS region of over \$120 million.

**PART III: APPROVAL/ENDORSEMENT BY GEF OPERATIONAL FOCAL POINT(S) AND GEF AGENCY(IES)**

**A. RECORD OF ENDORSEMENT OF GEF OPERATIONAL FOCAL POINT (S) ON BEHALF OF THE GOVERNMENT(S):** (Please attach the [Operational Focal Point endorsement letter\(s\)](#) with this template. For SGP, use this [OFP endorsement letter](#)).

NAME	POSITION	MINISTRY	DATE (MM/dd/yyyy)
Ms Nino TKHILAVA	GEF OPERATIONAL FOCAL POINT	MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES PROTECTION OF GEORGIA	<b>JUNE 13, 2013</b>

**B. GEF AGENCY(IES) CERTIFICATION**

<b>This request has been prepared in accordance with GEF/LDCF/SCCF/NPIF policies and procedures and meets the GEF/LDCF/SCCF/NPIF criteria for project identification and preparation.</b>					
Agency Coordinator, Agency name	Signature	DATE (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Adriana Dinu UNDP/GEF Officer-in-Charge and Deputy Executive Coordinator		August 23, 2013	John O’Brien Regional Technical Advisor EITT	421 917 415 017	John.obrien@undp.org